

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7043

BILL NUMBER: HB 1637

NOTE PREPARED: Feb 23, 2009

BILL AMENDED: Feb 23, 2009

SUBJECT: Funding for Foreclosure Counseling.

FIRST AUTHOR: Rep. Bardon

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State and Local

Summary of Legislation: (Amended) The bill creates a \$50 court fee on persons filing an action to foreclose a mortgage for purposes of providing sufficient money to provide foreclosure prevention counseling and assistance programs.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) *Summary* - The bill imposes a Mortgage Foreclosure Counseling and Education Fee equal to \$50. Assuming between 40,000 and 50,000 foreclosure filings per year over the next two years, the Fee could potentially generate \$2.0 M to \$2.5 M annually in FY 2010 and FY 2011. Annual foreclosure filings are likely to decline in the long run from the current levels, thus, the yield from the Fee is likely to decline from these levels in the future.

Background Information - The Mortgage Foreclosure Counseling and Education Fee is to be collected by the circuit court clerk from the party filing an action to foreclose a mortgage. The bill requires the circuit court clerk to distribute the revenue from the Fee semiannually to the State Auditor. The Fee revenue is to be deposited in the Home Ownership Education Account within the state General Fund established under current statute. Current statute requires the money in the Account to be used for foreclosure prevention counseling and assistance programs.

Current statute permits the Indiana Housing and Community Development Authority to establish a program

to provide free mortgage foreclosure counseling and education to homeowners who have defaulted on or are in danger of defaulting on the mortgages on their homes. The program may include a toll free phone line homeowners can call to receive mortgage foreclosure counseling and education. Current statute also permits the Authority to award grants for training counselors and to establish standards for certifying counselors.

From FY 2002 to FY 2007, annual foreclosure filings grew by an average of 8.1% annually from about 29,731 to 43,804. Monthly foreclosure statistics from foreclosure.com and realtytrac.com for January and February suggest that foreclosure filings could total 40,000 to 50,000 in 2009.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Housing and Community Development Authority; Auditor of State.

Local Agencies Affected: Circuit court clerks.

Information Sources: 2007 Indiana Judicial Service Report; <http://www.foreclosure.com/state/in.html>; <http://www.realtytrac.com/states/Indiana.html>.

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